

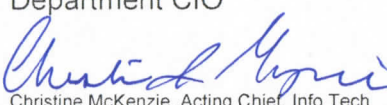
STATE OF CALIFORNIA  
Budget Change Proposal - Cover Sheet  
DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 0890	Department Secretary of State	Priority No. 002
Budget Request Name 0890-014-BBA-BR-2016-A1		Program <b>0700-FILINGS AND REGISTRATIONS</b>	Subprogram



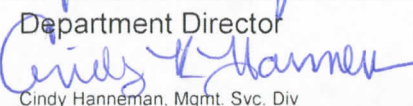

Budget Request Description  
California Business Connect Project

Budget Request Summary

The Secretary of State (SOS) requests \$2.605 million in spending authority for Fiscal Year (FY) 2016/17, \$605,000 from the Business Fees Fund (BFF) and \$2 million from the Business Programs Modernization Fund (BPMF), to continue implementation of the California Business Connect project. The California Business Connect Special Project Report (SPR) #2 was submitted to the Department of Technology on December 28, 2015. As detailed in the SPR #2, the total FY 2016/17 cost of the project is \$4.413 million; of which \$2.133 million will be funded through the use of existing resources, resulting in a project funding need of \$2.280 million. An additional \$0.325 million for temporary help (and corresponding DGS service fees) is also needed to backfill staff positions redirected to the project.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO  Christine McKenzie, Acting Chief, Info Tech	Date March 17, 2016
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input checked="" type="checkbox"/> SPR Project No. 0890-047 Date:		

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By  Kristin Dagsher, Fiscal Affairs Manager	Date March 17, 2016	Reviewed By  Kristin Dagsher, Fiscal Affairs Manager	Date March 17, 2016
Department Director  Cindy Hanneman, Mgmt. Svc. Div	Date March 17, 2016	Agency Secretary  Kimberly L. Gauthier, Deputy SOS, Operations	Date March 17, 2016

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☒ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☒ Dept. of Technology

BCP Type: ☐ Policy ☐ Workload Budget per Government Code 13308.05

PPBA  Date submitted to the Legislature  
4/11/16

2016 MAR 17 PM 1:46

DEPARTMENT OF FINANCE  
COR/JUD

## Analysis of Problem

### A. Budget Request Summary

The SOS requests \$2.605 million in spending authority for FY 2016/17, \$605,000 from the BFF and \$2 million from the BPMF, to continue implementation of the California Business Connect project.

California Business Connect is a comprehensive technology solution that will increase online services for business filings and requests for information. California Business Connect will allow the SOS to process business formation documents within a few hours or days and avoid processing fluctuations that vacillate depending on the time of year. Because businesses cannot open their doors, create bank accounts, acquire loans, hire employees, generate income, or pay taxes until their formation documents are processed by our office, California Business Connect will make the State a friendlier business environment.

This spending authority request is to enter into a contract for business process analysis services, project management services, Independent Project Oversight, Independent Verification and Validation, temporary help to backfill behind redirected staff, and other operating expenses related to the project. The consultants and the SOS staff will work together on reengineering business processes and associated functional, non-functional, and project specific requirements changes for the future Request for Proposal (RFP). The consultants will also work with SOS staff on organizational change management planning and Microsoft SharePoint Consulting.

### B. Background/History *(Provide **relevant** background/history and provide program resource history. Provide workload metrics, if applicable.)*

The SOS is constitutionally mandated to provide a significant number of services, which are critical for businesses operating in this State, as well as the overall economic expansion and health of the State of California. The SOS has the responsibility for processing and filing important commerce and trade documents including business formations, changes, and terminations. Most business entity documents and information requests are submitted to the SOS via mail or in-person in Sacramento and Los Angeles. This office currently relies on several antiquated electronic and "paper" database (including 3" x 5" index cards) systems in order to process more than two million business filings and requests for information submitted on an annual basis.

The fiscal effect of these antiquated systems is that payment of fees remains with the document throughout the filing process, which was taking weeks or months before receiving the additional funding and temporary staff via the FY 2013/14 Finance Letter. Delays in processing the fees create a risk of payment loss and have been identified in previous audits as a high level finding. This also results in checks being stale-dated, which increases the number of dishonored checks. In addition, the lack of an automated interface with the agency's fiscal system results in inadequate internal controls over money collected and deposited.

This paper-intensive process and the cyclical nature of increased workloads (prior to the additional funding and temporary staff) led to processing times, at their peaks, of more than 80 calendar days for business filings (e.g. business formations) and more than 120 calendar days for Statements of Information filings. Statements of Information identify the key players running each business and are used by businesses to open bank accounts and enter into contracts. Statements of Information (filed on an annual or biennial basis) specifically provide address and officer, director, manager, or member information, which is valuable to state taxing and enforcement agencies, such as the Franchise Tax Board and Board of Equalization.

In light of the previously long and unacceptable turnaround times, the Assembly sponsored AB 113 (Chapter 3, Statutes of 2013, effective May 1, 2013) to augment the SOS's FY 2012/13 budget by \$1.6 million for overtime and temporary help to aid in reducing the turnaround times. Additionally, a FY 2013/14 Finance Letter (Business Programs Division Backlogs) was approved in the May Revise to add 56.0 limited-term positions and to provide temporary help and overtime in FY 2013/14 to assist the SOS in reducing the turnaround times for business filings to a historic low of an average of 5 business days by November 30, 2013. The approved FY 2013/14 Finance Letter authorized the continuance of 54.0 of the 56.0 limited-term positions, temporary help, and overtime in FY 2014/15 and FY 2015/16 to maintain the average 5 business day turnaround times. Absent California Business Connect, the SOS

## Analysis of Problem

would need to continue this temporary funding and staffing indefinitely to maintain the legislatively recommended average 5 business day turnaround.

The SOS, as required by the California Corporations Code, Government Code, Business and Professions Code, Civil Code, Commercial Code, Code of Civil Procedure, Family Code, Code of Regulations and other codes:

- 1) Authorizes businesses to operate in California by:
  - a) Registering and authenticating business entities;
  - b) Enabling banks and lenders to protect their financial interests in personal property (Uniform Commercial Code (UCC) filings) as well as securing the State's lien priority through the filing of notices of tax liens;
  - c) Regulating notaries public;
  - d) Registering trademarks;
  - e) Registering business surety bonds;
- 2) Protects individual rights by:
  - a) Registering domestic partners; and
  - b) Registering advance health care directives.

To fulfill these purposes, the SOS reviews documents for statutory compliance that are submitted by businesses and government agencies for filing with the State. This process is known as "the filing process" and a retained submission is known as a "filing." Upon request, this information is available to California businesses, government agencies, and other customers. There are two broad categories of filings - business filings and other statutory filings.

The business filings are used to:

- Provide evidence of the formation, registration, and modification of domestic and foreign business entities such as corporations, limited liability companies (LLC), limited partnerships (LP), general partnerships (GP), limited liability partnerships (LLP), and other statutory business entities;
- Provide evidence of the key persons or entities operating the corporations and LLCs by filing annual or biennial Statements of Information;
- Provide evidence of the registration and modification of Trademarks and Service Marks;
- Provide evidence of the registration of business surety bonds;
- Provide personal property lien notices (UCC filings) and State and Federal tax lien notices to secure lien priority;
- Provide evidence for court cases and law enforcement investigations;
- Provide information to government agencies for taxing, licensing, and regulatory purposes;
- Provide proof of existence or good standing of businesses to open bank accounts, obtain licenses, enter into contracts, and conduct other official business in California;
- Determine the availability or acceptability of a specific business name;
- Determine the status or public details of a business entity;
- Provide data to financial institutions for their assessment and approval of secured loans; and
- Determine lien priority for secured personal property collateral.

The other statutory filings include:

## Analysis of Problem

- Domestic partners registration;
- Written advance health care directive registration; and
- Other filings required by statute.

The SOS's office serves as the filing office for various statutorily authorized business-related documents and currently is mandated to accept more than 250 different types of filing documents from businesses and other filers. For each document, the SOS's office, at a minimum, must receive the document; route the document to the staff trained to review it; maintain a record of the submission; and assess the legal acceptability of the filing. If the document is accepted, the SOS's office must then calculate, collect, and process fees and, in some cases, make copies of the filed document to return to the customer; distribute information about the filing; image the filing and store the original paper filing; and make information available to businesses, government agencies, and the general public. These filings have been grouped into 23 separate filing types according to processing, distribution, publication, and other requirements, and by the current level of automation (e.g. legacy computer systems, access databases, 3"x 5" index cards). Although the general business processes for each filing are similar, separate application systems and processes have evolved over time for each filing type. As a result, at least 23 separate automated systems are in use to support 15 of the filing types; the remaining 8 filing types are essentially paper-based manual systems supported only with basic office automation tools, such as Microsoft Access, Word and Excel or 3" x 5" index cards.

Each of the different filing types has specific program and workload requirements that differ somewhat, and each of the different Information Technology (IT) systems provide a different level of quality assurance for those requirements. There is no single filing type where the business requirements are fully automated. Other than UCC, support for the other filing types varies from incomplete, with essential and valuable functions poorly supported, to nonexistent, with no IT support provided. The UCC system was the result of the 2001 Business Programs Automation (BPA) project, which customized and modified a commercial off-the-shelf (COTS) product to support the statutory and business requirements for UCC and other lien-related filings. As of January 1, 2010, the UCC support vendor no longer provides maintenance and operational support for the UCC system. Due to the ever-changing technology world, the UCC system has fallen behind. Additionally, the BPA project did not automate the state and federal tax liens.

On April 1, 2011, the SOS was approved to conduct a business-based procurement to solicit a system integration contractor for California Business Connect. Special Project Report (SPR) #1 was approved by the Department of Technology on December 17, 2013, and the systems integration contract was awarded to Bodhtree Solutions, Inc. on January 10, 2014. With the concurrence of The California Department of Technology, the SOS and Bodhtree Solutions, Inc. mutually agreed to terminate the systems integration contract on August 14, 2015. At the time of contract termination, the project was in the design phase, specifically requirements specification and technical architecture planning was in process. The SOS is now planning to reengineer business processes followed by another business-based procurement solicitation for California Business Connect. A Special Project Report (SPR) #2 was submitted to the Department of Technology on December 28, 2015.

### Resource History (Dollars in thousands)

Program Budget	2010-11	2011-12	2012-13	2013-14	2014-15
Revenues Collected	\$42,370	\$44,687	\$48,510	\$51,099	\$71,898
Expenditures	\$36,983	\$38,563	\$32,867	\$40,175	\$53,217
Fund Balance	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Excess Revenue Trsfd to GF	\$4,387	\$5,124	\$14,643	\$10,925	\$18,680
Reimbursements Collected	\$24,204	\$29,822	\$32,194	\$21,895	\$129
Reimbursements Budgeted	\$6,977	\$9,520	\$10,508	\$12,088	\$8,000
Excess Reimb Trsfd to GF	\$17,227	\$20,302	\$21,686	\$9,807	(\$7,871)
Total Rev & Reimb Trsfd to GF	\$21,614	\$25,426	\$36,329	\$20,732	\$10,809



## Analysis of Problem

Authorized Positions	276.3	275.3	272.8	327.8	326.8
Filled Positions	252.6	256.6	250.5	291.7	307.8
Vacancies	23.7	18.7	22.3	36.1	19

### Workload History

Workload Measure	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16(a)
Documents Processed (b)	1,738,908	1,933,954	2,089,718	2,150,622	2,214,796	2,200,000
Name Reservations	41,860	43,075	44,623	35,784	34,910	34,000
Telephone Calls	352,415	376,563	318,473	303,607	330,649	330,000
Copies Issued	391,427	332,972	405,447	552,137	628,966	628,000
Certificates Issued	446,629	451,246	473,403	476,199	496,495	496,000
<b>Annual Volume</b>	2,971,239	3,137,810	3,331,264	3,518,349	3,705,816	3,688,000

(a) Projected

(b) Includes corporation, limited liability company, limited partnership, statements of information, regional office, UCC, trademark, and special filing documents

## C. State Level Considerations

Commerce and trade businesses must register their business entity with the SOS's office. Registration is required whether providing basic materials, capital goods, construction services, energy, financial services, food, healthcare, technology, transportation, or utilities, and, most important of all, organically grown small businesses that sprout up in the heart of California and revolutionize global industry.

As discussed above, the Assembly sponsored AB 113 (Chapter 3, Statutes of 2013, effective May 1, 2013) to augment the SOS's FY 2012/13 budget by \$1.6 million for overtime and temporary help to aid in reducing the business filing processing times. In addition, the FY 2013/14 Finance Letter also provided additional positions and funding to help with this manual process through FY 2015-16.

It is anticipated that the California Business Connect solution will enhance commerce in California by implementing technology to standardize and simplify the processing of business and security interest filings, and provide convenient public access to business information "24/7." The implementation of the California Business Connect solution also will ensure that payments are processed timely and securely and reduce some of the hurdles to starting a new business in California.

Additionally, the California Business Connect solution will benefit other State agencies, such as the Employment Development Department (EDD), Franchise Tax Board (FTB), State Board of Equalization (BOE), and the Attorney General's office (AG), by making key information about businesses readily available through automated interfaces. The interfaces will allow the agencies to obtain information from the SOS's office more quickly for taxing, enforcement, and other purposes, as well as file tax liens electronically to preserve the State's lien priority.

## D. Justification

As noted previously, much of the filing and information retrieval processes are manual; however, continued manual processing of paper-based filings and payments cannot be sustained. The manual processing of filings and requests for information does not provide the level of control and security envisioned by the SOS. That vision includes an integrated shared database for tracking filings, information requests, and associated fees with permanent record processing and storage in the same system.

## Analysis of Problem

The SOS's office, which is instrumental in helping businesses establish themselves in California by processing and filing more than 2 million documents and requests for information each year, is requesting to continue the California Business Connect project to automate its labor-intensive manual processes. The current processes make it increasingly difficult to comply with current mandates and implement new mandates that are created by law. In addition, current processes are prone to human error and continue to put vital State records at risk of loss/theft/misplacement. Without the California Business Connect solution, backlogs will only be maintained at the legislatively recommended and the SOS established goal of an average of 5 business days by permanently funding the additional positions, overtime, and temporary help using the current manual processes.

The California Business Connect solution will allow the SOS to process business documents faster, thus helping businesses create jobs faster and speeding up the collection of sales, property, and other taxes and fees. The California Business Connect solution will provide California businesses with the ability to file online and receive a response from the SOS's office within a few hours or days.

SPR #2 was submitted to the Department of Technology on December 28, 2015 to proceed with a business-based procurement and implementation for the California Business Connect project. In anticipation of the SPR being approved, the SOS intends to reengineer business processes followed by a RFP to be released by August 2017, a contract award by September 2018, and phased implementation and full deployment by January 2021.

A fee increase is not required to support the California Business Connect project. The money to support the project exists through the fees currently paid by businesses for filings and services. The SOS is requesting authority to use these funds that businesses are currently paying.

Effective July 1, 2014, all filing fees and service fees (special handling, expedited, and copy fees) paid by businesses are deposited into the BFF (in accordance with AB 554 (Chapter 364, Statutes of 2013)). The law also requires the collection of a \$5.00 disclosure fee (established in accordance with AB 55 (Chapter 1015, Statutes of 2002)) at the time domestic stock and foreign corporations file their annual Statements of Information. As required by California Corporations Code sections 1502 and 2117, one-half of the disclosure fees must be utilized to enhance program services, including the development of an online database to provide public access to all information contained in the Statement of Information filing. With the passage of AB 554 (Chapter 364, Statutes of 2013), effective January 1, 2014, one-half of the disclosure fees submitted by corporations with their Statements of Information are deposited into the BPF as established by the legislation, which will be sufficient to cover the \$2 million requested spending authority from the BPF authority. The excess collection of filing fees and service fees in the BFF is sufficient to cover the requested \$605,000 in additional spending authority.

### **E. Outcomes and Accountability** *(Provide summary of expected outcomes associated with Budget Request and provide the projected workload metrics that reflect how this proposal improves the metrics outlines in the Background/History Section.)*

The California Business Connect project includes business entities, trademarks, and UCC filings. The internal workflow processing efficiencies gained will be measured against baseline paper-based metrics already established for existing manual processing times.

It is anticipated that the California Business Connect solution will:

- Allow real-time filing and retrieval of certificates and copies of filings to permit businesses to open bank accounts, obtain financing, and generate revenue more quickly, increasing tax benefits to the State;
- Allow government agencies to acquire needed information in a timely manner to perform their taxing and enforcement responsibilities;
- Allow businesses to open their doors sooner and create jobs;
- Allow for more secure and timely processing of payments;

## **Analysis of Problem**

- Improve telephone customer service by allowing staff to have immediate access to records and information;
- Reduce the number of documents being rejected by including built-in field edits for customers filing online, which ultimately will reduce customer frustration over the need to submit a document multiple times;
- Reduce the number of staff necessary to process the work within the average 5 business days;
- Ensure confidential information is only accessible to authorized parties;
- Ensure confidential and private information is redacted from copies per statute;
- Ensure critical documents are recoverable in the event of a catastrophe;
- Decrease storage of paper and space requirements, allowing centralization of in-person services; and
- Ensure the SOS's office technology complies with statutory and regulatory mandates.

The information captured electronically and stored in a centralized database for automated workflow processing will benefit businesses, the economy, and the taxpayers as well as the SOS's office and other State government agencies. The benefits will include:

### **Business Benefits**

- Eliminate unnecessary delays;
- Provide a centralized and integrated single-point-of-service for business entities and special filings;
- Ensure more secure and timely processing of payments;
- Provide online filing options and help in completing forms;
- Reduce the cost and time required to establish and maintain a business;
- Make services available 24 hours a day, seven days a week; and
- Allow users to see all filing activities related to the business over the long term.

### **Economic Benefits**

- Process business filings faster;
- Enable businesses to create jobs sooner; and
- Bring more revenue to the State sooner.

### **Taxpayer/Public Benefits**

- Provide reliable online research of entities doing business in California;
- Provide the names and addresses of the individuals running the businesses; and
- Provide online debtor information.

### **The SOS Benefits**

- Ensure the agency will be in compliance with statutes and regulations;
- Allow for immediate processing of payments received;
- Provide flexibility to make changes necessary to comply with law;
- Protect physical assets of the State;
- Strengthen internal controls for cash management;
- Reduce data entry required;
- Provide consistency of data across the agency;



## Analysis of Problem

- Improve services paid for by businesses; and
- Provide staff, supervisors, and management with better workload management and measurement tools.

### Other Government Benefits

- Maximize interest earnings by handling cash flow more efficiently;
- Provide automated interfaces with other government agencies, including EDD, BOE, FTB, and AG;
- Potential savings to government agencies currently accessing data via labor intensive manual processes; and
- Provide online filings of public notice of tax liens.

By implementing a single intake process for the paper filings and online filings with imaging and automated workflow processes behind the scenes, business filings will take hours or days, allowing businesses to launch quickly, and generating jobs and tax revenue while providing services and products to Californians.

The chart below displaying workload measures based on Project Outcomes is not applicable for this request. The workload trends for business filings, copy requests, etc. are independent of this particular request, either approved or denied as the request is to assist in reengineering business processes and associated functional, non-functional, and project specific requirements changes for the future RFP.

### Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
e.g., Applications Received, Applications Processed, Call Volume, etc.	n/a	n/a	n/a	n/a	n/a	n/a

The SOS is requesting spending authority to continue the California Business Connect project.

## F. Analysis of All Feasible Alternatives

Alternative 1: Approve the request and increase the BFF authority by \$605,000 and the BPMF authority by \$2 million to proceed with the California Business Connect project. The \$2.605 million will be used to contract for the Project Manager, Independent Project Oversight Consultant (IPOC), and Independent Verification and Validation Consultant (IV&V), needed business process re-engineering and organization change management activities; fund reclassified staff and temporary help to assist redirected staff; and, to pay for other project operating expenses.

### Pros:

- Similar business problems throughout the BPD can be addressed at the same time, with one project.
- This approach will facilitate the integration and consolidation of the BPD operations by providing one system with similar applications and will provide necessary automated interfaces within the SOS (e.g. fiscal system) and with customers, including other government agencies (e.g., EDD, BOE, FTB, AG).
- Project objectives will be met faster than replacing systems in a piecemeal fashion.

## Analysis of Problem

- Backlogs will not return once the limited-term positions and associated funding are eliminated, and the short turnaround times will help businesses reduce risk of failure by opening their doors faster and drawing additional businesses to California.
- Businesses, other government agencies, law enforcement agencies, and the general public will benefit from the implementation of the California Business Connect solution, which will allow the SOS, with less staff, to maintain or even reduce processing times to file business documents, and will allow customers to quickly obtain information and copies of documents electronically from the SOS.

### Cons:

- There is some risk to doing a large IT project; however, designing, developing, testing and deploying the project in phases (see Implementation Plan below) mitigates the risk.

Alternative 2: Deny funding request, and continue manual, archaic processes. Although the SOS has been appropriated approximately \$6.2 million per year for 3 years, FY 2013/14, 2014/15 and 2015/16, for processing Business Entity filings and Statements of Information (Business Programs Division Backlogs Finance Letter), in the absence of automation, the SOS will only be able to sustain an average 5 business day turnaround time as long as this funding is made available using its existing manual, staff-intensive paper processes. The SOS has submitted a request to the Department of Finance requesting an appropriation of \$5.5 million (via the Business Programs Division Filings Processing BCP) for FY 2016/17 and FY 2017/18 to assist with the manual processing of the paper filings.

### Pros:

- Higher revenue balances may be transferred to the General Fund.

### Cons:

- The SOS will continue processing filing and information requests using archaic, labor intensive, manual processes that are slow and do not meet the needs of the business, legal and financial communities, government agencies, or the public.
- Staff needed/required to work overtime will burnout and may look for jobs elsewhere, possibly increasing backlogs and turnaround times.

## G. Implementation Plan

SPR#2 proposes implementing a reduced project scope to focus on the largest annual volume of paper filings with a phased implementation approach, while also replacing outdated legacy systems. The revised project scope reduces the project complexity and overall work effort, while still meeting the objectives of the project. Functionality will focus on the largest volume of paper filings/documents to obtain the maximum possible benefit to the public and cost avoidances to the State. The low-volume niche filings may be added to the system after the initial system implementation, but are outside the scope of this project.

A phased implementation is planned. A phased implementation will enable the deployment of functionality based on business value. Limited Liability Companies and Limited Partnerships will be the first phase, Corporations will be the second phase, UCC will be the third phase, and Trademarks will be the fourth phase followed by one year Maintenance and Operation (M&O). With each of the first three phases, an existing legacy system will be replaced. A phased implementation reduces the project risk by allowing the project team to focus on the development, testing, training, and rollout to support a reduced scope of specific business needs. A master schedule and implementation plan will be developed prior to completing the procurement solicitation, and then will be refined with the participation of the solution vendor.

## Analysis of Problem

Legacy system retirements are also aligned with the phased implementation. Decommissioning of the LP/LLC legacy system will occur after implementation of Phase 1 for the Limited Liability Companies and Limited Partnerships lines of business. Decommissioning of six additional legacy systems will occur after Phase 2 for the Corporations line of business. Decommissioning of the Uniform Commercial Code legacy system will occur after Phase 3 for the Uniform Commercial Code line of business, and the decommissioning of the Trademarks use of index cards and database will occur after Phase 4 for the Trademarks line of business transition to the new platform.

The major milestones as reflected in the SPR #2 are presented below.

Major Milestones	Estimated Completion Date
Release of RFP	8/01/2017
Contract Award	9/01/2018
Vendor On-board	11/1/2018
Phase 1: LLC & LP Deployment	8/31/2019
Phase 2: Corporations Deployment	2/29/2020
Phase 3: Uniform Commercial Code Deployment	8/31/2020
Phase 4: Trademarks Deployment	1/31/2021
First Year Contract Maintenance and Operations	1/31/2022
PIER	1/31/2022

It should also be noted that no additional positions will be requested; however, staff will be redirected and reclassified to work on the project and to maintain the new system once the project is implemented. At the end of the project, the anticipated annual net cost savings/cost avoidance of \$8.1 million will be the result of changing to the new system, abolishing 45.0 PYs through attrition, and avoiding the need to make permanent the Business Programs Division Filings Processing funding augmentation (\$5.5 million) and 52.0 PYs per the recently submitted FY 2016/17 Budget Change Proposal.

**H. Supplemental Information** *(Describe special resources and provide details to support costs including appropriate back up.)*

Contract descriptions may be found in SPR #2 (Section 4.5.4 Roles and Responsibilities) and the Proposed Alternative within the Economic Analysis Worksheets.

**I. Recommendation**

Approve Alternative 1 to continue the California Business Connect project funding and increase the SOS BFF authority by \$605,000 and BPMF authority by \$2 million. This alternative will allow the SOS to contract for the Project Manager, Independent Project Oversight Consultant (IPOC), and Independent Verification and Validation Consultant (IV&V), conduct business process re-engineering and organization change management activities; fund reclassified staff and temporary help to assist redirected staff; and, to pay for other project operating expenses.

## BCP Fiscal Detail Sheet

BCP Title: California Business Connect Project

DP Name: 0890-301-BCP-DP-2016-A1

### Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Salaries and Wages						
Earnings - Permanent	0	473	0	0	0	0
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$473</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Total Staff Benefits	0	256	0	0	0	0
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$729</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Operating Expenses and Equipment						
5322 - Training	0	5	0	0	0	0
5340 - Consulting and Professional Services - Interdepartmental	0	131	0	0	0	0
5340 - Consulting and Professional Services - External	0	1,728	0	0	0	0
5346 - Information Technology	0	12	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$1,876</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$2,605</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Fund Summary

Fund Source - State Operations						
0228 - Secretary of States Business Fees Fund	0	605	0	0	0	0
3254 - Business Programs Modernization Fund	0	2,000	0	0	0	0
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$2,605</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$2,605</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Summary

Program Funding						
0700 - Filings and Registrations	0	2,605	0	0	0	0
<b>Total All Programs</b>	<b>\$0</b>	<b>\$2,605</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Personal Services Details

Salaries and Wages	CY	BY	BY+1	BY+2	BY+3	BY+4
TH00 - Temporary Help	0	473	0	0	0	0
Total Salaries and Wages	\$0	\$473	\$0	\$0	\$0	\$0
Staff Benefits						
5150900 - Staff Benefits - Other	0	256	0	0	0	0
Total Staff Benefits	\$0	\$256	\$0	\$0	\$0	\$0
Total Personal Services	\$0	\$729	\$0	\$0	\$0	\$0